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P 041104Z FEB 08
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 0200
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
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C O N F I D E N T I A L ASHGABAT 000170

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E.O. 12958: DECL: 02/04/2018
TAGS: PREL ECON EPET IR TU TX
SUBJECT: IRAN'S NATURAL GAS WOES

REF: A. ASHGABAT 0007
1B. ASHGABAT 0075

Classified By: CHARGE RICHARD E. HOAGLAND FOR REASONS 1.4 (B) AND (D).

11. (C) Iran has no gas to sell to customers and carries on gas negotiations with various countries in an attempt to show it is not isolated, Turkish Ambassador Hakkı Akil told the Charge during a February 1 lunch. In a discussion that covered a number of Caspian and Central Asian energy issues (septels), Akil said Iran does not produce enough gas to fulfill its commitments to Turkey, let alone to any new customers. He said Iran produces 90 bcm/year and uses 50 bcm to inject into oil fields. Much of the remaining gas is used for domestic consumption. Consequently, Iran does not produce enough gas for export. Negotiations dealing with Nabucco, or with India and Pakistan, Akil asserted, are simply "political." Since there is not enough gas, Iran simply strings along its negotiating partners. Then it finds a problem that forces the negotiating process to start over from zero.

12. (C) Akil said Turkmenistan's cut-off of gas to Iran since the beginning of this year did not have a direct impact on Iranian gas supplies to Turkey. (COMMENT: Turkmenistan halted transportation of gas to northern Iran via the Korpelje-to-Kurt-Kui pipeline on January 2 as part of a hardball effort to pressure the Iranian government into a price increase (reftel A). END COMMENT.) Turkey's gas contract with Iran does not specify the source and, therefore, does not distinguish between gas that originates in Iran or Turkmenistan.

IRAN-TURKMENISTAN GAS ISSUES

13. (C) Akil said the Iranian ambassador to Turkmenistan told

him Iran is ready to pay \$150 per thousand cubic meters (tcm) of gas to Turkmenistan (vice the current price of \$65 tcm). However, for that price Iran wanted a 20-year agreement, which guaranteed 14 bcm per year. Akil argued that mathematically it is impossible for Turkmenistan to supply Iran with 14 bcm. (NOTE: The Korpelje-to-Kurt-Kui pipeline is build to carry a maximum of 13 bcm. END NOTE.) Until recently, Turkmenistan used 14 bcm for domestic consumption and sold 40 bcm to Gazprom. Akil speculated that without increasing the amount of gas sold to the Iranians, the Turkmen did not have enough gas to fulfill its obligations to the Chinese.

¶4. (C) COMMENT: We had heard previously that the Iranians were unreliable negotiating and business partners in the oil and gas sphere. This sheds more light on one reason why. The Turkmen have no interest in subsidizing Iran. In fact, a very pragmatic President Berdimuhamedov has repeatedly said of gas transactions, "It's like a bazaar. We well, they buy." END COMMENT.

HOAGLAND